

CONTRACT #6
RFS # 318.65-186

**Department of Finance &
Administration
Bureau of TennCare**

VENDOR:
Medstat Group, Inc.



STATE OF TENNESSEE
BUREAU OF TENNCARE
310 Great Circle Road
NASHVILLE, TENNESSEE 37243

RECEIVED
OCT 02 2006
FISCAL REVIEW

September 29, 2006

Mr. Jim White, Director
Fiscal Review Committee
8th Floor, Rachel Jackson Bldg.
Nashville, TN 37243

Attention: Leni Chick:

RE: Bureau of TennCare Contracts Submitted for Fiscal Review

Dear Mr. White:

The Department of Finance and Administration, Bureau of TennCare, is submitting for consideration by the Fiscal Review Committee amendment #1 to the Medstat Group, Inc., RFS 318.65-186. This competitively bid contract provides Decision Support Services for the TennCare Program. This amendment extends the Fraud and Abuse Detection and Investigation (FADI) services and corresponding payment rates for an additional 12 months to coincide with the current end date of the contract. Additional funding required to support the continuation of FADI for this time period is \$800,000.00.

The Bureau of TennCare would greatly appreciate the consideration and approval of this amendment by the Fiscal Review Committee.

Sincerely,

Scott Pierce
Chief Financial Officer

Cc: Darin J. Gordon, Deputy Commissioner
Alma Chilton

REQUEST: NON-COMPETITIVE AMENDMENT

APPROVED

Commissioner of Finance & Administration

Date:

EACH REQUEST ITEM BELOW MUST BE DETAILED OR ADDRESSED AS REQUIRED.

1) RFS #	318.65-186	
2) State Agency Name :	Department of Finance and Administration Bureau of TennCare	
EXISTING CONTRACT INFORMATION		
3) Service Caption :	TennCare Decision Support (TCDS) Services	
4) Contractor :	Medstat Group, Inc.	
5) Contract #	FA-05-16216-00	
6) Contract Start Date :	December 1, 2004	
7) <u>Current</u> Contract End Date IF <u>all</u> Options to Extend the Contract are Exercised :	November 30, 2007	
8) <u>Current</u> Total Maximum Cost IF <u>all</u> Options to Extend the Contract are Exercised :	\$8,784,175.00	
PROPOSED AMENDMENT INFORMATION		
9) <u>Proposed</u> Amendment #	#1	
10) <u>Proposed</u> Amendment Effective Date : (attached explanation required if date is < 60 days after F&A receipt)	December 1, 2006	
11) <u>Proposed</u> Contract End Date IF <u>all</u> Options to Extend the Contract are Exercised :	November 30, 2007.	
12) <u>Proposed</u> Total Maximum Cost IF <u>all</u> Options to Extend the Contract are Exercised :	\$9,584,175.00	
13) Approval Criteria : (select one)	<input checked="" type="checkbox"/> use of Non-Competitive Negotiation is in the best interest of the state <input type="checkbox"/> only one uniquely qualified service provider able to provide the service	
14) Description of the Proposed Amendment Effects & Any Additional Service :		
This amendment extends Fraud and Abuse Detection and Investigation (FADI) services and payment rates for an additional 12 months to coincide with current end date of contract, as well as increases maximum liability to provide funding to support the extended FADI functions. Additionally, the contract was originally awarded and monitored by OIR, however, this amendment changes state contact information from Office of Information Resources (OIR) to the Bureau of TennCare.		

15) Explanation of Need for the Proposed Amendment :

The FADI Operations is a critical component of the TennCare Decision Support Services (TCDS). The original contract provided this function for the first two years of the contract however these services need to be extended to coincide with the actual term of the contract.

16) Name & Address of Contractor's Current Principal Owner(s) :

(not required if proposed contractor is a state education institution)

Larry Hagerty, Chief Executive Officer
The Medstat Group, Inc.
777 East Eisenhower Parkway
Ann Arbor, MI 48109

17) Documentation of Office for Information Resources Endorsement :

(required only if the subject service involves information technology)

select one:

☒ Documentation Not Applicable to this Request

☐

Documentation Attached to this Request

18) Documentation of Department of Personnel Endorsement :

(required only if the subject service involves training for state employees)

select one:

☒ Documentation Not Applicable to this Request

☐

Documentation Attached to this Request

19) Documentation of State Architect Endorsement :

(required only if the subject service involves construction or real property related services)

select one:

☒ Documentation Not Applicable to this Request

☐

Documentation Attached to this Request

20) Description of Procuring Agency Efforts to Identify Reasonable, Competitive, Procurement Alternatives :

This contract was originally awarded by OIR to Medstat on the basis of an Alternative Competitive Procurement. Four proposers responded to the procurement document, however, Medstat was the best-evaluated, lowest-cost proposer. This amendment extending FADI requirements changes the classification from competitive to non-competitive.

21) Justification for the Proposed Non-Competitive Amendment :

As referenced in Item #20 above, the State did originally procure the services through a competitive process. An award was made to Medstat as the best-evaluated, lowest-cost alternative. TennCare believes that it is in the State's best interest to extend the FADI requirements and resulting funding to coincide with the current term of the original contract.

REQUESTING AGENCY HEAD SIGNATURE & DATE :


(must be signed & dated by the ACTUAL procuring agency head as detailed on the Signature Certification on file with OCR— signature by an authorized signatory will be accepted only in documented exigent circumstances)


Agency Head Signature


Date

C O N T R A C T S U M M A R Y S H E E T

021406

RFS #		Contract #	
318.65-186		FA-05-16216-01	
State Agency		State Agency Division	
Department of Finance and Administration		Bureau of TennCare	
Contractor Name		Contractor ID # (FEIN or SSN)	
The MEDSTAT Group, Inc.		C- or X V- 061467923 00	
Service Description			
Provide Decision Support Services for the TennCare Program			
Contract Begin Date	Contract End Date	SUBRECIPIENT or VENDOR?	CFDA #
12/01/2004	11/30/2007	Vendor	93.778 Dept. of Health & Human Services/Title XIX
Mark Each TRUE Statement			
<input checked="" type="checkbox"/> Contractor is on STARS		<input checked="" type="checkbox"/> Contractor's Form W-9 is on file in Accounts	
Allotment Code	Cost Center	Object Code	Fund
318.65	See Attached	083	11
FY	State	Federal	Interdepartmental
2005	\$323,360.00	\$2,507,879.00	
2006	\$1,071,330.00	\$2,499,764.00	
2007	\$862,763.00	\$1,691,997.00	
2008	\$254,790.00	\$372,292.00	
TOTAL:	\$2,512,243.00	\$7,071,932.00	\$9,584,175.00
— COMPLETE FOR AMENDMENTS ONLY —		State Agency Fiscal Contact & Telephone #	
FY	Base Contract & Prior Amendments	THIS Amendment ONLY	Scott Pierce 507-6415
2005	\$2,831,239.00		State Agency Budget Officer Approval 
2006	\$3,571,094.00		
2007	\$2,088,092.00	\$466,668.00	
2008	\$293,750.00	\$333,332.00	
			Funding Certification (certification, required by T.C.A., § 9-4-5113, that there is a balance in the appropriation from which the obligated expenditure is required to be paid that is not otherwise encumbered to pay obligations previously incurred)
TOTAL:	\$8,784,175.00	\$800,000.00	
End Date:	11/30/2007	11/30/2007	
Contractor Ownership (complete only for base contracts with contract # prefix: FA or GR)			
<input type="checkbox"/> African American	<input type="checkbox"/> Person w/ Disability	<input type="checkbox"/> Hispanic	<input type="checkbox"/> Small Business
<input type="checkbox"/> Asian	<input type="checkbox"/> Female	<input type="checkbox"/> Native American	<input type="checkbox"/> NOT minority/disadvantaged
<input type="checkbox"/> OTHER minority/disadvantaged—			
Contractor Selection Method (complete for ALL base contracts— N/A to amendments or delegated authorities)			
<input type="checkbox"/> RFP	<input type="checkbox"/> Competitive Negotiation	<input type="checkbox"/> Alternative Competitive Method	
<input type="checkbox"/> Non-Competitive Negotiation	Negotiation w/ Government (e.g., ID, GG, GU)		<input type="checkbox"/> Other
Procurement Process Summary (complete for selection by Alternative Method, Competitive Negotiation, Non-Competitive Negotiation, OR Other)			

**AMENDMENT #1
TO FA-05-16216-00
BETWEEN
THE DEPARTMENT OF FINANCE AND ADMINISTRATION
BUREAU OF TENNCARE
AND
THE MEDSTAT GROUP, INC.**

This Contract, by and between the State of Tennessee, Department of Finance and Administration, Bureau of TennCare, hereinafter referred to as the State, and the Medstat Group, Inc., hereinafter referred to as the Contractor, is hereby amended as follows:

1. Delete C.1 in its entirety and replace with the following:

C.1. Maximum Liability. In no event shall the maximum liability of the State under this Contract exceed Nine Million Five Hundred Eighty-Four Thousand One Hundred Seventy-Five Dollars (\$9,584,175.00). The Service Rates in Section C.3 shall constitute the entire compensation due the Contractor for the Service and all of the Contractor's obligations hereunder regardless of the difficulty, materials or equipment required. The Service Rates include, but are not limited to, all applicable taxes, fees, overheads, and all other direct and indirect costs incurred or to be incurred by the Contractor.

The Contractor is not entitled to be paid the maximum liability for any period under the contract or any extensions of the Contract for work not requested by the State. The maximum liability represents available funds for payment to the Contractor and does not guarantee payment of any such funds to the Contractor under this Contract unless the State requests work and the Contractor performs said work. In which case, the Contractor shall be paid in accordance with the Service Rates detailed in Section C.3. The State is under no obligation to request work from the Contractor in any specific dollar amounts or to request any work at all from the contractor during any period of this Contract.

2. Add the following service rates to Section C.3.c.:

<u>SERVICE RATE</u>	<u>AMOUNT</u>
Monthly Cost Per Member on the TennCare Rolls; Cost in Effect During Contract Months 25 through 36.	\$0.07149

3. Delete E.2 in its entirety and replace with the following:

E.2. Communications and Contacts. All instructions, notices, consents, demands, or other communications required or contemplated by this Contract shall be in writing and shall be made by facsimile transmission, by overnight courier service, or by first class mail, postage prepaid, addressed to the respective party at the appropriate facsimile number or address as set forth below or to such other

party, facsimile number, or address as may be hereafter specified by written notice.

The State:
Deputy Commissioner
Department of Finance and Administration
Bureau of TennCare
310 Great Circle Road
Nashville, TN 37243
615) 507-6362
(615) 532-5236

The Contractor:

Glenn Cole, Chief Financial Officer
The MEDSTAT Group, Inc.
777 East Eisenhower Parkway
Ann Arbor, MI 48108
(734) 913-3298 Phone
(734) 913-3333 fax

All instructions, notices, consents, demands, or other communications shall be considered effectively given as of the day of delivery; as of the date specified for overnight courier service delivery; as of three (3) business days after the date of mailing; or on the day the facsimile transmission is received mechanically by the telefax machine at the receiving location and receipt is verbally confirmed by the sender if prior to 4:30 p.m. CST. Any communication by facsimile transmission shall also be sent by United States mail on the same date of the facsimile transmission.

The other terms and conditions of this Contract not amended hereby shall remain in full force and effect.

THE MEDSTAT GROUP, INC.

Glenn R. Cole, Chief Financial Officer

DATE

DEPARTMENT OF FINANCE AND ADMINISTRATION
BUREAU OF TENNCARE:

M. D. Goetz, Jr., Commissioner

DATE

APPROVED:

DEPARTMENT OF FINANCE AND ADMINISTRATION:

M. D. GOETZ, JR., COMMISSIONER

DATE

COMPTROLLER OF THE TREASURY:

JOHN G. MORGAN, COMPTROLLER OF THE TREASURY

DATE

CONTRACT SUMMARY SHEET

RFS Number:	318.65-186	Contract Number:	FA-05-16216-00
State Agency:	Department of Finance and Administration	Division:	Bureau of TennCare
Contractor:		Contractor Identification Number:	
The MEDSTAT Group, Inc.		<input checked="" type="checkbox"/> V- <input type="checkbox"/> C-	06 1467923 00

Service Description

Provide Decision Support Services for the TennCare Program

Contract Begin Date

12/1/2004

Contract End Date

11/30/2007

Allotment Code	Cost Center	Object Code	Fund	Grant	Grant Code	Subgrant Code
318.65	087	134	11	x on STARS		
FY	State Funds	Federal Funds	Interdepartmental Funds	Other Funding	Total Contract Amount Include ALL amendments	
05	\$323,359.75	\$2,507,879.25			\$2,831,239.00	
06	\$729,648.50	\$2,841,445.50			\$3,571,094.00	
07	\$522,023.00	\$1,566,069.00			\$2,088,092.00	
08	\$73,437.50	\$220,312.50			\$293,750.00	
					\$0.00	
					\$0.00	
Total:	\$1,648,468.75	\$7,135,706.25	\$0.00	\$0.00	\$8,784,175.00	

CFDA Number: 93.778 Check the box (below) ONLY if the answer is YES

State Fiscal Contact

Is the Contractor a SUBRECIPIENT? (per OMB A-133)

Name:	Scott Pierce	Is the Contractor a VENDOR? (per OMB A-133)	x
Address:	729 Church Street, Nashville, TN	Is the Fiscal Year Funding STRICTLY LIMITED?	
Phone:	615-741-8155	Is the Contractor on STARS?	x

Procuring Agency Budget Officer Signature

Is the Contractor's FORM W-9 ATTACHED?

Is the Contractor's Form W-9 Filed with Accounts?

x

Funding Certification

Pursuant to T.C.A., Section 9-6-113, I, M. D. Goetz, Jr., Commissioner of Finance and Administration, do hereby certify that there is a balance in the appropriation from which this obligation is required to be paid that is not otherwise encumbered to pay obligations previously incurred.

COMPLETE FOR ALL AMENDMENTS (only)

	Base Contract & Prior Amendments	This Amendment ONLY
End Date >		
FY		
FY		
FY		
FY		
FY		
FY		
Totals:	\$0.00	\$0.00

DEC 22 2004

RECEIVED